Financial Services

23 July 2026

1QFY27 Results Update | Sector: Technology

Infosys

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	INFO IN
Equity Shares (m)	4055
M.Cap.(INRb)/(USDb)	4249.9 / 44
52-Week Range (INR)	1728 / 982
1, 6, 12 Rel. Per (%)	2/-33/-28
12M Avg Val (INR M)	15633

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	1,787	1,931	2,002
EBIT Margin (%)	21.0	21.0	21.0
Adj.PAT	301	313	326
Adj. EPS (INR)	74.4	77.3	80.5
EPS Gr. (%)	13.7	3.9	4.1
BV/Sh. (INR)	229	230	230
Ratios			
RoE (%)	31.9	33.7	35.0
RoCE (%)	26.4	27.6	28.2
Payout (%)	57.8	85.0	85.0
Valuations			
P/E (x)	14.4	13.5	13.0
P/BV (x)	4.6	4.6	4.5
EV/EBITDA (x)	9.9	9.0	8.7
Div Yield (%)	4.1	6.3	6.5

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	12.7	13.3	13.1
DII	39.6	40.1	35.4
FII	33.0	34.1	39.4
Others	14.7	12.5	12.2

FII includes depository receipts

CMP: INR1,047 TP: INR1,170 (+12%) Buy

Disappointing quarter; outlook worsens

Mid-point of organic growth guidance cut by 170bp, new CEO announced

- Infosys (INFO) reported 1QFY27 revenue of USD5.1b, up 0.8% QoQ. In CC, it was up 1% QoQ, below our estimate of 2% QoQ. Adj. EBIT margin stood at 21.1%, below our estimate of 21.4%. Adj. EBIT rose 4.3% QoQ/15.4% YoY to INR101b (est. INR104b). Adj. PAT came in at INR77.6b, down 5% QoQ/up 12% YoY, below our estimate of INR80b.
- INFO has cut its organic CC growth guidance from ~1.25-3.25% earlier to (-0.2%) to 1.3% now. Adj. EBIT margin guidance was maintained in the 20-22% range. Large deal TCV stood at USD3.6b, up 12.5% QoQ/down 5.3% YoY. The book-to-bill ratio was 0.7x.
- For 1QFY27, revenue/adj. EBIT/adj. PAT grew 14.0%/15.4%/12.3% YoY in INR terms. In 2QFY27, we expect INFO's revenue/adj. EBIT/adj. PAT to grow 8.6%/7.4%/5.8% YoY. We value INFO at **14x FY28E EPS** with a **TP of INR1,170**, implying a 12% upside potential.

Our view: Soft quarter reinforces FY27 growth concerns

- **Steep guidance downgrade points to increasing pressure on growth**: INFO has reduced its **organic CC growth guidance from ~1.25-3.25% earlier to (-0.2%) to 1.3%**. At the top end, management assumes the macro environment gets better, but with soft volumes spilling over into 2Q, this is a significantly negative outcome. While macro and client-specific issues persist, we now expect INFO to underperform large-cap peers on growth.
- **Productivity deflation not quantified but remains substantial:** Management again did not quantify AI-led productivity deflation, though peers have pointed to an incremental **10-15% deflation** (vs. the routine **10-15% productivity reductions** built into the model). Thus, despite healthy deal TCV (USD3.6b) and a strong **61% net new mix**, productivity pass-throughs continue to knock growth off. We expect this to continue, and hence believe deal TCV will become a less reliable indicator of revenue growth going forward.
- **Demand environment continues to worsen:** Management indicated that volumes were softer than expected and weaker than historical 1Q trends, with discretionary spending remaining selective and decision-making continuing to be elongated.
- Client-specific issues, including the **50bp impact from the EURS contract termination** and continued weakness in the **large European manufacturing client (>100bp headwind for FY27)**, further weighed on growth. While AI spending remains healthy, it continues to be directed toward modernization, cloud and productivity initiatives rather than incremental discretionary spending.

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- **CEO succession could introduce near-term uncertainty:** INFO has appointed Mr. **Ashiss Dash**, a **31-year company veteran**, as CEO-designate, succeeding Mr. Salil Parekh from **1st Apr'27**. Over the past three decades, he has held leadership roles across delivery, **account** management, sales and vertical businesses. However, a leadership transition introduces near-term uncertainty until the market gains better visibility on the new CEO's execution priorities.
- **Margin guidance maintained, though pressure likely to persist:** INFO maintained its **20-22% EBIT margin guidance**, despite factoring in wage hikes, AI investments, productivity pass-through and a **50bp acquisition-related headwind**. Management expects these factors to be offset by **Project Maximus, currency tailwinds and a 75-100bp reduction in onsite mix**. We estimate EBIT margins at **21%** for FY27E/FY28E each, though revenue growth remains the bigger monitorable.

Valuation and changes to our estimates

- **We trim our FY27E/FY28E EPS estimates by ~2%** to factor in lower FY27 organic growth guidance and continued pricing pressure from AI-led productivity deflation. While AI revenue continues to scale up rapidly, we believe productivity pass-through on the existing book of business will remain a near-term headwind. Execution on deal conversion and pricing remains a key monitorable. We value INFO at **14x FY28E EPS** and arrive at a **TP of INR1,170**, implying **~12% upside**. **Reiterate BUY**.

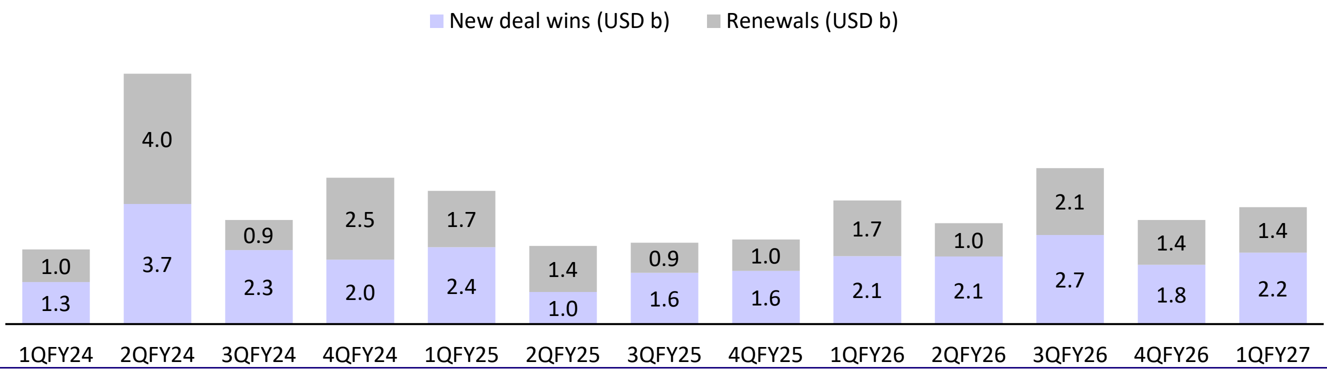
Miss on revenue and margins; FY27 guidance downgraded to 1.5%-3.0% (vs earlier 1.5%-3.5%), new CEO-designate announced

- USD revenue was up 0.8% QoQ at USD5.1b. In CC, it was up 1% QoQ, below our estimate of 2% QoQ growth.
- INFO appoints Mr. Ashiss Kumar Dash as New CEO designate (wef 1st Apr'27). He has been with INFO for 30 years and is currently EVP and Global Head – Services, Utilities, & Enterprise Sustainability.
- FY27 guidance has been reduced at the upper end by 50bp to 1.5-3.0% YoY cc (our expectation of 1.5-3.0% YoY cc organic). However, this guidance also includes incremental M&A contribution; and hence, the cut is higher than expected.
- In 1QFY27, Life Sciences/Energy grew 10.5%/2.4% QoQ, while Communications declined 2.4% QoQ. BFSI/Manufacturing/Retail remained flat QoQ.
- Adj. EBIT margin was at 21.1%, below our estimates of 21.4%. Adj. EBIT margin guidance was maintained in the 20-22% range.
- Adj. PAT was down 5% QoQ/up 12% YoY at INR77.6b (below our est. of INR80b).
- Employee count was flat QoQ at 328,062.
- Large deal TCV stood at USD3.6b, up 12.5% QoQ/down 5.3% YoY. The book-to-bill ratio was 0.7x.
- LTM attrition was up 40bp QoQ at 13%. Utilization rose 190bp QoQ to 84.9% vs. 83% in 4Q (ex-trainees).

Key highlights from the management commentary

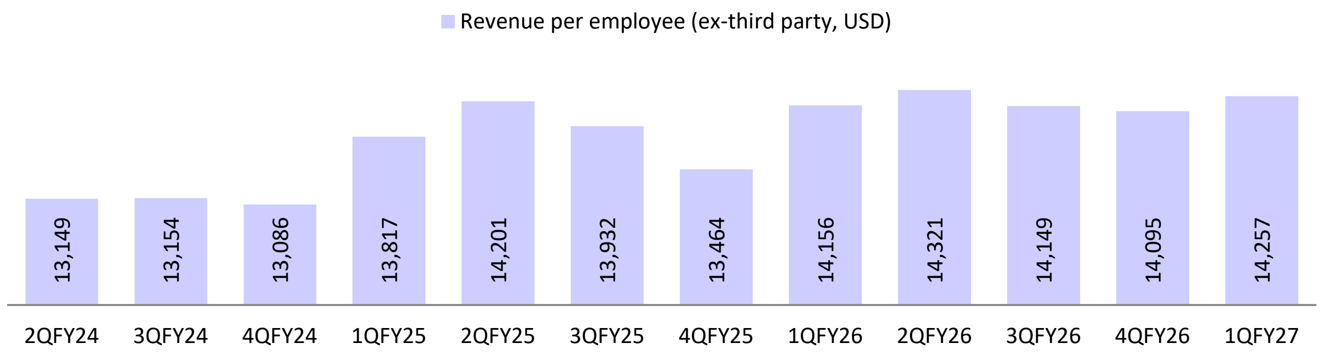
- 1Q volumes were softer than expected and weaker vs. historical Q1 trends, reflecting a dynamic and evolving business environment.
- Client spend continues to prioritize AI modernization, cloud and productivity initiatives, while discretionary spend remains selective.
- Geopolitical instability and tariff-related uncertainty are keeping budgets tightly controlled, particularly in Manufacturing and Retail/CPG.
- Macro environment remains volatile and uncertain, with clients continuing to exercise caution on discretionary spending across verticals.
- FY27 revenue guidance was lowered to 1.5-3% YoY CC growth (from 1.5-3.5% earlier), implying a ~25bp cut at the guidance midpoint.
- The lower end of guidance assumes further macro deterioration, while the upper end factors in a milder improvement than assumed in Apr'26.
- Vendor consolidation wins carried healthy margins vs. the overall large deal portfolio; management reiterated it will walk away from deals with uneconomic productivity asks.

Exhibit 1: Net new deal wins stood at 61% of total deal wins



Source: Company, MOFSL

Exhibit 2: RPE gains sustained on YoY basis



Source: Company, MOFSL

Quarterly Performance (IFRS) **(INR Bn)**

Y/E March	FY26				FY27E				FY26	FY27E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY27	(%/bp)
Revenue (USD m)	**4,941**	**5,076**	**5,099**	**5,040**	**5,082**	**5,115**	**5,141**	**5,089**	**20,156**	**20,428**	**5,133**	**-1.0**
QoQ (%)	4.5	2.7	0.5	-1.2	0.8	0.7	0.5	-1.0	4.6	1.3	1.8	-102bp
Revenue (INR b)	**423**	**445**	**455**	**464**	**482**	**483**	**485**	**481**	**1,787**	**1,931**	**486**	**-0.8**
YoY (%)	7.5	8.5	8.9	13.4	14.0	8.6	6.7	3.6	9.6	8.1	14.9	-91bp
GPM (%)	**30.9**	**30.8**	**31.0**	**30.9**	**31.5**	**31.0**	**31.3**	**31.0**	**30.9**	**31.2**	**31.2**	**28bp**
SGA (%)	**10.1**	**9.7**	**9.8**	**9.9**	**10.4**	**10.2**	**10.1**	**10.1**	9.9	10.2	9.8	60bp
EBITDA	**101**	**107**	**110**	**111**	**115**	**114**	**116**	**113**	**429**	**458**	**119**	**-3.3**
EBITDA Margin (%)	**23.8**	**24.0**	**24.2**	**24.0**	**23.8**	**23.5**	**23.9**	**23.6**	**24.0**	**23.7**	**24.4**	**-63bp**
EBIT	**88**	**94**	**96**	**97**	**102**	**100**	**103**	**100**	**375**	**406**	**104**	**-2.3**
EBIT Margin (%)	**20.8**	**21.0**	**21.2**	**21.0**	**21.1**	**20.8**	**21.2**	**20.9**	**21.0**	**21.0**	**21.4**	**-32bp**
Other income	9	9	9	7	9	8	8	8	34	32	8	11.2
ETR (%)	28.9	27.9	27.4	21.2	29.5	28.0	28.0	28.0	26.3	28.4	28.0	150bp
Adj PAT	**69**	**74**	**76**	**88**	**78**	**78**	**80**	**78**	**301**	**313**	**80**	
Exceptional Items	0.0	0.0	9.7	3.0	0.0	0.0	0.0	0.0	6.7	0.0	0.0	
PAT	**69**	**74**	**67**	**85**	**78**	**78**	**80**	**78**	**294**	**313**	**80**	**-3.5**
QoQ (%)	-1.6	6.4	-9.6	27.8	-8.6	0.3	2.3	-2.3			-5.3	-328bp
YoY (%)	8.7	13.2	-2.2	20.9	12.3	5.8	19.8	-8.4	10.2	6.4	16.3	-402bp
EPS (INR)	**16.7**	**17.7**	**18.5**	**20.3**	**19.2**	**19.2**	**19.7**	**19.2**	**74.4**	**77.3**	19.9	-3.6

Key Performance Indicators

Y/E March	FY26				FY27	FY26
	1Q	2Q	3Q	4Q	1Q	
Revenue (QoQ CC %)	2.6	2.2	0.6	-1.3	1.0	
Margins						
Gross Margin	30.9	30.8	31.0	30.9	31.5	30.9
EBIT Margin	20.8	21.0	21.2	21.0	21.1	21.0
Net Margin	16.4	16.6	16.8	17.7	16.1	16.9
Operating metrics						
Headcount	324	332	337	329	332	329
Voluntary Attrition (%)	14.4	14.3	12.3	12.6	13	13
Deal Win TCV (USD b)	3.8	3.1	4.8	3.2	3.6	3
Key Verticals (YoY CC %)						
BFSI	5.6	5.4	3.9	2.9	2.4	4.4
Retail	6.4	(2.3)	(5.5)	0.5	(1.8)	-1.8
Key Geographies (YoY CC%)						
North America	0.4	2.0	(1.0)	4.1	3.2	1.3
Europe	12.3	6.3	7.2	4.1	2.8	7.3

CONFERENCE CALL

Highlights from the management commentary

Performance in 1QFY27 and demand outlook

- 1Q volumes were softer than expected and weaker vs. historical Q1 trends, reflecting a dynamic and evolving business environment.
- Client spend continues to prioritize AI modernization, cloud and productivity initiatives, while discretionary spend remains selective.
- Geopolitical instability and tariff-related uncertainty are keeping budgets tightly controlled, particularly in Manufacturing and Retail/CPG.
- Macro environment remains volatile and uncertain, with clients continuing to exercise caution on discretionary spending across verticals.
- FY27 revenue guidance was lowered to 1.5-3% YoY CC growth (from 1.5-3.5% earlier), implying a ~25bp cut at the guidance midpoint.

- The lower end of guidance assumes further macro deterioration, while the upper end factors in a milder improvement than assumed in Apr'26.
- Vendor consolidation wins carried healthy margins vs. the overall large deal portfolio; management reiterated it will walk away from deals with uneconomic productivity asks.
- Sequential growth was further impacted by a conscious shift toward higher offshoring to de-risk the business model.
- Growth was impacted by a 50bp one-off hit from the termination of a program by an ERS client, which was not factored into earlier guidance.
- Revision reflects ~1.7% contribution from the Optimum Healthcare and Stratus acquisitions, >1% drag from a large European manufacturing client, and a further 75-100bp impact from a continued offshore shift.
- Of the 22 large deals signed, three were valued at USD400m each; vendor consolidation deals accounted for ~20% of total large deal value.
- Region-wise deal activity was led by North America (11 deals), followed by Europe (8) and Rest of World (3), with wins spread across Financial Services, Manufacturing, Retail, Communications, ERS, Life Sciences and Hi-Tech.
- **Financial Services**: Geopolitical instability is driving cautious client spending, with priorities centered on efficiency, productivity and modernization. Momentum continues across banking, payments, capital markets and wealth management; AI adoption remains incremental and additive. Large deal net new TCV in the vertical was ~USD1b this quarter; GCC engagements continue to expand alongside client partnerships.
- **Manufacturing**: Growth remained impacted by lower revenue from a large client, with cautious discretionary spend and elongated decision-making, especially in European auto. Better pricing was seen on AI-related skills and consulting engagements. Tariffs, geopolitical uncertainty and elevated energy costs are keeping budgets tightly controlled, even as AI adoption opens new opportunity areas.
- **Energy, Utilities, Resources & Services (EURS)**: GenAI is emerging as a key growth catalyst, driving process reimagination and productivity-led initiatives, supported by hyperscaler and AI-native partnerships. Clients continue to prioritize cost optimization, operational resilience, productivity and regulatory compliance amid macro uncertainty. Demand is shifting toward AI-led modernization and productivity programs, funded through operational efficiency and cost optimization.
- **Communication**: Telecom is undergoing significant transformation, marked by consolidation, M&A and increased OEM investments. Operating environment remains challenging, with clients maintaining discipline on discretionary spending and closely scrutinizing investment decisions. AI is reshaping spending patterns, with enterprises prioritizing initiatives that deliver near-term gains.
- **North America:** Demand environment and pipeline remain constructive as the region leads in deal activity, with 11 large deals signed in the quarter.
- **Europe:** Signed eight large deals during the quarter; growth continues to be weighed down by softness in European manufacturing and auto.
- Plans to recruit 20,000 college graduates in FY27 (vs. 2,000 for full-year FY26); over 4,000 already onboarded in 1Q.
- Salary hikes will be rolled out in two tranches, effective October for most employees and January for the remainder.

- AI-led productivity pass-through remains an acknowledged headwind on the existing portfolio, though management does not disclose the extent of repricing/compression externally.
- Management views hyperscaler entry into enterprise AI services (e.g., AWS, Microsoft) as validating rather than threatening, citing INFO's scale (300,000+ employees) and deep client context as differentiators.
- Plans to build a team of 6,000 frontier engineers over the next few years, sourced via internal upskilling, campus hiring and select lateral recruitment.
- Growth strategy is anchored to a "hexagon" of six value pools, spanning agents for process, data for AI, AI strategy/engineering, modernization and coding tools.
- In a major leadership announcement, the Board appointed Mr. Ashiss Dash (an internal candidate with 31+ years at INFO) as CEO-designate, succeeding Mr. Salil Parekh, whose term concludes on 31st Mar'27. Mr. Dash will undergo a structured transition, including a mentee period under Mr. Parekh.

Margin performance

- Operating margin improved 20bp QoQ to 21.1%, aided by 60bp QoQ gross margin expansion.
- Key tailwinds: 70bp from INR depreciation, 20bp from Project Maximus, and a 20bp net benefit from normalization of 4Q intangible amortization costs.
- Key headwinds: 50bp from AI sales & marketing investments, 40bp one-off impact from the program termination, and 20bp from higher other expenses, partly offset by a 30bp one-time cost benefit.
- FY27 margin guidance is maintained at 20-22%, factoring in wage hike costs and productivity pass-through, along with a 50bp drag from the Optimum Healthcare and Stratus acquisitions, to be offset by Project Maximus and currency tailwinds.
- Free cash flow was strong at USD955m, or 116.5% of net profit; DSO improved four days QoQ to 63 days (76 days including unbilled net of unearned, vs. 78 in 4Q).
- EPS came in at INR19.19, up ~15% YoY; effective tax rate guided at 29-30% for the year.
- Cash and investments stood at USD3.9b, after returning over USD1b to shareholders via dividends during the quarter.

Exhibit 3: Life Sciences, Hi-Tech and BFSI were up 24%/2.4%/2.4% YoY CC

Verticals (YoY in CC)	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26	3Q FY26	4Q FY26	1Q FY27
Financial Services	-4.2	-7.3	-5.9	-8.5	0.3	2.3	6.1	12.6	5.6	5.4	3.9	2.9	2.4
Retail	4.0	9.2	0.4	-3.7	-3.0	-9.6	0.1	-2.6	6.4	-2.3	-5.5	0.5	-1.8
Communications	-5.6	-4.3	-8.0	4.5	5.4	7.0	4.0	0.0	4.0	4.7	9.9	9.0	1.3
Energy, Utilities, Resources	8.6	5.1	0.3	3.3	6.3	10.9	8.6	1.5	6.4	2.1	0.5	6.7	1.3
Manufacturing	20.7	12.6	10.6	8.7	6.0	12.3	10.7	14.0	12.2	6.6	6.6	1.3	1.0
Hi Tech	2.3	-0.6	-5.1	9.7	2.1	6.0	8.4	-1.1	1.7	8.6	-2.2	-1.2	2.4
Life Sciences	13.9	18.4	6.3	1.0	2.9	-3.5	6.3	-3.4	-7.9	-10.5	-5.4	11.6	24.0
Others	32.9	15.3	7.0	0.5	4.5	-1.2	3.2	-2.8	-15.3	-2.4	-9.3	14.0	-9.9

Source: Company, MOFSL

Exhibit 4: Europe grew 2.8% YoY CC

Geographies (YoY in CC)	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26	3Q FY26	4Q FY26	1Q FY27
North America	2.1	1.0	-4.9	-2.2	-1.2	-2.7	4.8	-0.4	0.4	2.0	-1.0	4.1	3.2
Europe	10.1	5.4	5.0	4.9	9.1	15.5	12.2	15.0	12.3	6.3	7.2	4.1	2.8
India	13.7	2.6	-1.0	-15.4	19.9	16.0	40.1	43.7	-1.0	6.8	-1.8	0.0	-1.6
ROW	-0.5	3.9	7.8	4.5	2.3	3.8	-11.1	-2.2	0.4	-3.9	2.5	5.0	-4.2

Source: Company, MOFSL

Valuation and view

- **We cut our FY27E/FY28E EPS estimates by ~2%** to factor in lower FY27 organic growth guidance and persistent pricing pressure from AI-led productivity deflation. While AI revenue continues to scale up rapidly, we believe productivity pass-through on the existing book of business will remain a near-term headwind**.** Execution on deal conversion and pricing remains a key monitorable. We value INFO at **14x FY28E EPS** and arrive at a **TP of INR1,170**, implying **~12% upside**. **Reiterate BUY**.

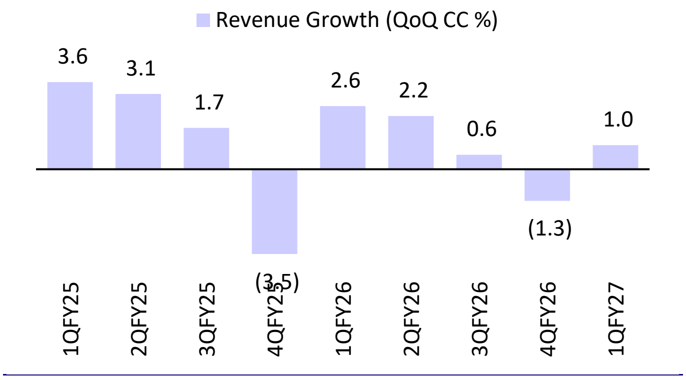
Exhibit 5: Revisions to our estimates

	Revised		Earlier		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
INR/USD	94.5	95.0	94.5	95.0	0.0%	0.0%
USD Revenue (m)	20,428	21,072	20,780	21,485	-1.7%	-1.9%
Growth (%)	1.3	3.2	3.1	3.4	-170bps	-20bps
EBIT margin (%)	21.0	21.0	21.0	21.0	0bps	0bps
Adj. PAT (INR b)	313	326	320	333	-2.1%	-1.9%
Adj. EPS	77.3	80.5	79.0	82.3	-2.2%	-2.1%

Source: MOFSL

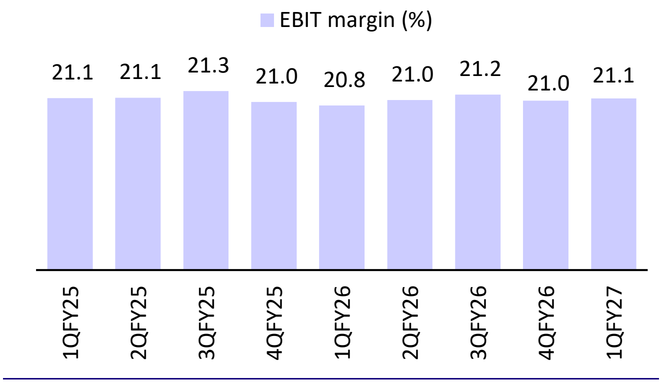
Story in charts

Exhibit 6: Revenue grew 1% QoQ CC in 1QFY27



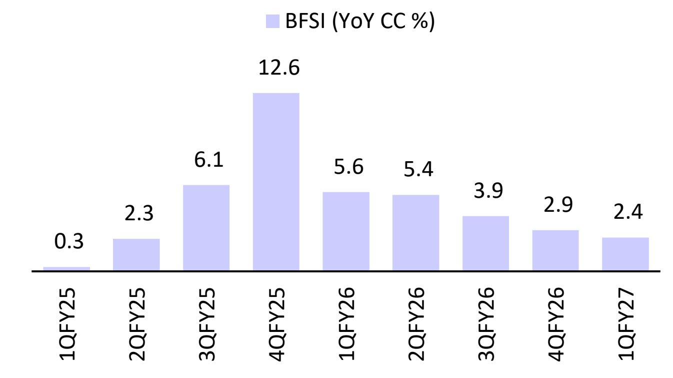
Source: Company, MOFSL

Exhibit 7: EBIT margin expanded 10bp QoQ to 21.1%



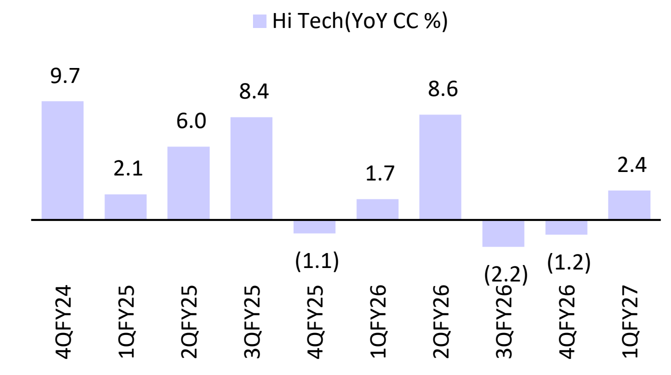
Source: Company, MOFSL

Exhibit 8: BFSI continued to witness growth amid macro uncertainty



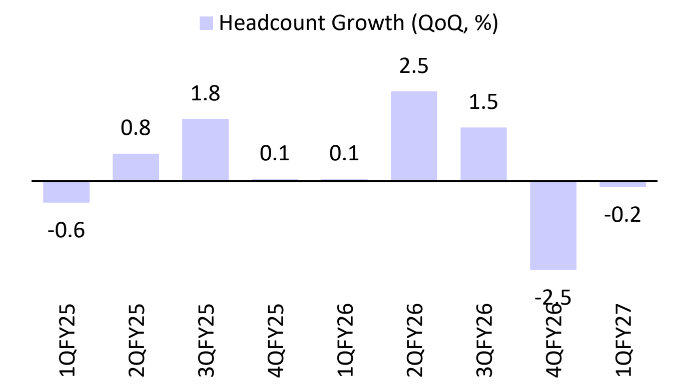
Source: Company, MOFSL

Exhibit 9: Hi-Tech increased 2.4% YoY CC



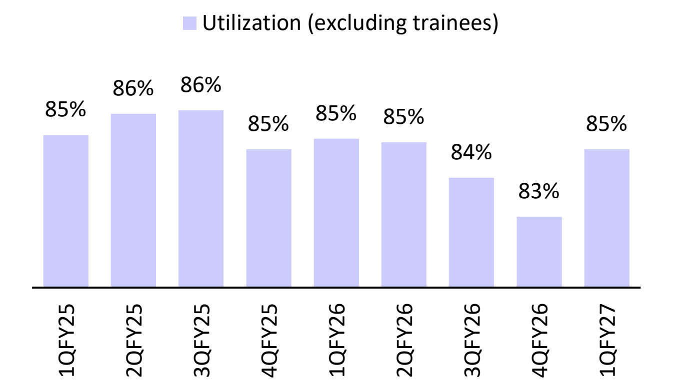
Source: Company, MOFSL

Exhibit 10: Headcount stayed flat QoQ



Source: Company, MOFSL

Exhibit 11: Utilization up 200bp at 85%



Source: Company, MOFSL

Exhibit 12: Operating metrics

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Effort (IT Services and Consulting)									
Onsite	24%	24%	24%	24%	24%	23%	23%	23%	23%
Offshore	76%	76%	76%	76%	76%	77%	77%	77%	77%
Utilization (IT Services and Consulting)									
Including trainees	84%	84%	83%	82%	83%	82%	80%	80%	82%
Excluding trainees	85%	86%	86%	85%	85%	85%	84%	83%	85%
Employee Metrics									
Total Employees (Consolidated, in k)	**315**	**318**	**323**	**324**	**324**	**332**	**337**	**329**	**328**
S/W professional (k)	298	301	307	307	307	315	319	311	310
Support and sales (k)	17	17	17	17	17	17	18	18	18
Revenues by Client Geography									
North America	59%	57%	58%	57%	57%	56%	56%	56%	56%
Europe	28%	30%	30%	31%	32%	32%	33%	33%	32%
India	3%	3%	3%	3%	3%	3%	3%	3%	3%
ROW	10%	10%	9%	9%	9%	9%	9%	9%	9%
Revenues by Business Segments									
Financial Services	28%	27%	28%	28%	28%	28%	28%	28%	28%
Retail	14%	13%	14%	13%	13%	13%	13%	13%	13%
Communications	12%	12%	11%	12%	12%	12%	12%	12%	12%
Energy, Utilities, Resources, and Services	13%	14%	14%	13%	14%	13%	13%	13%	13%
Manufacturing	15%	16%	16%	16%	16%	17%	17%	16%	16%
Hi-Tech	8%	8%	8%	8%	8%	8%	7%	8%	8%
Life Sciences	7%	7%	8%	7%	7%	6%	7%	7%	8%
Others	3%	3%	3%	3%	3%	3%	2%	3%	2%
Geography YoY % CC									
North America	-1%	-3%	5%	0%	0%	2%	-1%	4%	3%
Europe	9%	16%	12%	15%	12%	6%	7%	4%	3%
India	20%	16%	40%	44%	-1%	7%	-2%	0%	-2%
ROW	2%	4%	-11%	-2%	0%	-4%	3%	5%	-4%
Business Segments YoY % CC									
Financial Services	0%	2%	6%	13%	6%	5%	4%	3%	2%
Retail	-3%	-10%	0%	-3%	6%	-2%	-6%	1%	-2%
Communications	5%	7%	4%	0%	4%	5%	10%	9%	1%
Energy, Utilities, Resources, and Services	6%	11%	9%	2%	6%	2%	1%	7%	1%
Manufacturing	6%	12%	11%	14%	12%	7%	7%	1%	1%
Hi-Tech	2%	6%	8%	-1%	2%	9%	-2%	-1%	2%
Life Sciences	3%	-4%	6%	-3%	-8%	-11%	-5%	12%	24%
Others	5%	-1%	3%	-3%	-15%	-2%	-9%	14%	-10%
DSO	72	73	74	69	70	73	74	67	63
Large Deal TCV (USD m)	4,100	2,400	2,500	2,600	3,800	3,100	4,800	3,200	3,600
Client (% of revenues)									
Top 10 client	20.9%	20.9%	19.9%	20.7%	20.8%	20.9%	20.6%	20.2%	19.9%
Top 25 client	34.9%	34.7%	34.2%	34.8%	35.2%	34.7%	35.0%	34.5%	33.9%
Number of active clients	1,867	1,884	1,876	1,869	1,861	1,896	1,949	1,965	2,027
New clients added in the period	87	86	101	91	93	118	121	111	155

Source: Company, MOFSL

Financials and valuations

Income Statement (INR b)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales	**1,216**	**1,468**	**1,537**	**1,630**	**1,787**	**1,931**	**2,002**
Change (%)	21.1	20.7	4.7	6.1	9.6	8.1	3.7
Software Develop. Exp.	820	1,024	1,074	1,133	1,234	1,329	1,387
Selling and Mktg. Exp.	0	0	0	0	0	0	0
Gross Profit	**396**	**444**	**463**	**496**	**552**	**602**	**615**
SGA Expenses	116	135	145	152	177	197	194
EBITDA	**315**	**351**	**364**	**392**	**429**	**469**	**487**
% of Net Sales	25.9	23.9	23.7	24.1	24.0	24.3	24.3
Depreciation	35	42	47	48	54	64	66
EBIT	**280**	**309**	**317**	**344**	**375**	**406**	**421**
% of Net Sales	23.0	21.1	20.7	21.1	21.0	21.0	21.0
Interest	0	0	0	0	0	0	0
Other Income	21	24	23	29	34	32	32
PBT	**301**	**333**	**341**	**373**	**409**	**437**	**453**
Tax	80	92	97	108	108	124	127
Rate (%)	26.4	27.7	28.5	28.9	26.3	28.4	28.0
Minority Interest	0	0	0	0	0	0	0
Extraordinary Items	0	0	-19	-2	-7	0	0
Adjusted PAT	**221**	**241**	**243**	**265**	**301**	**313**	**326**
Change (%)	14.2	9.0	1.0	8.8	13.7	4.0	4.2

Balance Sheet (INR b)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	21	21	21	21	20	20	20
Reserves	733	733	860	937	908	910	912
Net Worth	**754**	**754**	**881**	**958**	**929**	**930**	**932**
Capital Employed	**843**	**866**	**990**	**1,061**	**1,036**	**1,070**	**1,078**
Gross Block	511	587	618	703	782	842	904
Less: Depreciation	248	290	337	385	439	503	569
Net Block	**263**	**297**	**281**	**318**	**343**	**339**	**335**
Investments & Other Assets	244	253	203	200	182	236	236
Curr. Assets	**672**	**709**	**894**	**971**	**1,035**	**976**	**993**
Debtors	343	407	430	440	507	476	494
Cash & Bank Balance	175	122	148	245	222	254	250
Investments	67	69	129	125	130	130	130
Other Current Assets	88	111	188	162	176	116	120
Current Liab. & Prov	**336**	**392**	**388**	**429**	**523**	**480**	**487**
Net Current Assets	**336**	**317**	**506**	**542**	**512**	**496**	**506**
Application of Funds	**843**	**866**	**990**	**1,061**	**1,036**	**1,070**	**1,078**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**54.6**	**59.6**	**64.8**	**66.0**	**72.8**	**77.3**	**80.5**
Cash EPS	63.2	70.0	76.4	77.9	89.4	93.0	96.8
Book Value	186.2	186.4	217.8	236.8	229.5	229.8	230.3
DPS	31.0	33.5	46.0	43.0	43.0	65.7	68.5
Payout %	56.7	94.8	76.5	65.7	57.8	85.0	85.0
Valuation (x)							
P/E	19.2	17.6	16.2	15.9	14.4	13.6	13.0
Cash P/E	16.6	15.0	13.7	13.4	11.7	11.3	10.8
EV/EBITDA	13.5	12.1	11.6	10.8	9.9	9.0	8.7
EV/Sales	3.5	2.9	2.8	2.6	2.4	2.2	2.1
Price/Book Value	5.6	5.6	4.8	4.4	4.6	4.6	4.5
Dividend Yield (%)	3.0	3.2	4.4	4.1	4.1	6.3	6.5
Profitability Ratios (%)							
RoE	29.2	32.0	29.8	28.8	31.9	33.7	35.0
RoCE	24.4	26.2	24.5	23.9	26.4	27.6	28.2
Turnover Ratios							
Debtors (Days)	103	101	102	99	104	90	90
Fixed Asset Turnover (x)	4.6	4.9	5.5	5.1	5.2	5.7	6.0

Cash Flow Statement

(INR b)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
CF from Operations	261	295	312	360	366	365	380
Cash for Working Capital	-12	-65	-52	-3	-26	27	-10
Net Operating CF	**250**	**230**	**261**	**357**	**340**	**392**	**370**
Net Purchase of FA	-22	-26	-22	-22	-27	-48	-50
Free Cash Flow	**228**	**204**	**239**	**335**	**313**	**344**	**320**
Net Purchase of Invest.	-53	8	-37	3	47	0	0
Net Cash from Invest.	**-75**	**-18**	**-59**	**-19**	**19**	**-48**	**-50**
Proceeds from Equity	0	0	0	0	0	0	0
Others	-8	-15	-28	-39	-31	0	0
Dividend Payments	-127	-137	-147	-203	-187	-311	-324
Buyback of Shares	-111	-115	0	0	-181	0	0
Cash Flow from Fin.	**-246**	**-267**	**-175**	**-242**	**-398**	**-311**	**-324**
Net Cash Flow	**-72**	**-54**	**27**	**96**	**-39**	**32**	**-4**
Effect of Forex on Cash Flow	-1	1	-1	1	16	0	0
Opening Cash Bal.	**247**	**175**	**122**	**148**	**245**	**222**	**254**
Add: Net Cash	-72	-53	26	97	-23	32	-4
Closing Cash Bal.	**175**	**122**	**148**	**245**	**222**	**254**	**250**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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